

ENDOWMENT FUND INVESTMENT BOARD STRATEGIC PLAN FOR FISCAL YEAR 2005

MISSION STATEMENT

The mission of the Endowment Fund Investment Board is to manage the “sacred trust” funds of the endowments. The funds shall be managed with a long-term perspective and with the mandate of providing intergenerational equity to the beneficiaries. Preservation of the corpus is a paramount concern.

VISION STATEMENT

The vision of the Endowment Fund Investment Board is to provide current income to the beneficiaries and to build the earnings reserve fund to provide a cushion for any future market downturn.

OPERATING PHILOSOPHY

While any investment has inherent risks, it is the philosophy of the Endowment Fund Investment Board to minimize these risks while striving for the best rate of return.

GOALS

1. Maintain the purchasing power of the permanent endowment funds.
2. Maintain fair and equitable intergenerational funding.
3. Achieve a smooth and predictable distribution to the beneficiaries.
4. Maintain a constant ratio between the endowment corpus and the earnings reserve.

EXTERNAL FACTORS

Growth of the endowment funds is almost entirely based upon external factors. In past years the Department of Lands has been the key source of increased growth for the endowments. That duty has now been allocated to the investment portfolio, and the Department of Lands income is primarily available for distribution to the beneficiaries and for expenses. Growth of the corpus of the endowment funds will now rest on the performance of the financial markets.

OBJECTIVES

1. Develop an investment portfolio mix and spending policy to meet the goals of the Endowment Fund Investment Board.
 - a. Adjust asset mix in the investment portfolio and to meet the revised distributions to the beneficiaries
2. Achieve a rate of return on the total portfolio that exceeds the hybrid benchmark.
 - a. Equal or exceed the return of the appropriate benchmarks for equities. The portfolio should take less risk for the same return. Exceed 75% of all managers in their asset class.
 - b. Equal or exceed the return of the Lehman Bros. Aggregate Index with comparable risk for fixed income returns.
3. Monitor outside investment managers.